

## Message Text

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FROM WASHINGTON

TO AIG 6006

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NATO LIMITED OFFICIAL USE FROM WASHINGTON

SUBJECT: 1975 ECONOMIC PLAN RESULTS

REF: NATO 545 DTG 031010Z FEB 76

1. SUMMARY - SOVIET CENTRAL PRESS FEBRUARY 1 CARRIES 1975  
ECONOMIC PLAN RESULTS FROM CENTRAL STATISTICAL ADMINISTRA-  
TION (CSA). RESULTS FRO AGRICULTURE WILL BE REPORTED BY  
SEPTTEL. INDUSTRIAL PRODUCTION WAS UP 7.5 PERCENT OVER  
1974, WITH GROWTH IN CONSUMER GOODS SECTOR AT 6.5 PERCENT  
TRAILING BEHIND INCREASE IN PRODUCTION GOODS OUTPUT  
WHICH WAS 7.9 PERCENT. AS EXPECTED ALL PERFORMANCES FALL  
BETWEEN THE ORIGINAL 9TH FYP GOALS AND ADJUSTED TARGETS  
SET DECEMBER 1974. NATIONAL INCOME GROWTH, AT 4 PERCENT  
WAS NOT ONLY DOWN FROM BOTH PLAN TARGETS BUT ALSO  
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SLIGHTLY UNDER THE 5 PERCENT INCREASE REPORTED FOR THE

PREVIOUS YEAR. PROBLEMS IN AGRICULTURE, MORE SEVERE THAN IN ANY OF THE PREVIOUS FOUR YEARS OF THE 9TH FYP, LARGELY ACCOUNTED FOR THE SLOWDOWN IN NATIONAL INCOME GROWTH. THE INCREASE IN INDUSTRIAL LABOR PRODUCTIVITY, AT 5.9 PERCENT, WAS SLIGHTLY UNDER THE PREVIOUS YEAR'S RATE. THE STATISTICS OMIT SEPARATE FIGURES FOR GROWTH OF LABOR PRODUCTIVITY IN AGRICULTURE AND THE OVERALL RATE, BUT PRESUMABLY THE LATTER WHICH WAS QUITE LOW (IF NOT NEGATIVE AS IN 1974) WOULD RESULT IN AN OVERALL RATE BELOW THAT FOR INDUSTRY. DOMESTIC RETAIL TRADE INCREASED 7 PERCENT, WHILE FOREIGN TRADE REACHED ABOUT 50 BILLION RUBLES OR UP ABOUT 26 PERCENT WHICH IS DOUBLE THE TARGET SET IN DECEMBER 1974. WHILE THE HIGH EXTERNAL TURNOVER CAN BE PARTIALLY ATTRIBUTED TO SUBSTANTIAL GRAIN IMPORTS ALONG WITH CONTINUED PRICE INFLATION IN BOTH IMPORTS AND EXPORTS, NEVERTHELESS THERE WAS A SUBSTANTIAL REAL GROWTH IN SOVIET IMPORTS OF WESTERN INDUSTRIAL PRODUCTS AS EVIDENCED BY THE LARGE SOVIET DEFICIT. IN GENERAL THE ECONOMIC RESULTS ACHIEVED DURING THE FINAL YEAR OF THE 9TH FYP WERE CONSIDERABLY BELOW THE GOALS SET BY PLANNERS FIVE YEARS BEFORE. RESULT OF THIS SUBSTANDARD PERFORMANCE JUDGED BY TENTATIVE GROWTH TARGETS SET FOR 1976 AND THE 10TH FYP, WOULD APPEAR TO BE INJECTION OF MEASURE OF REALISM INTO SOVIET ECONOMIC PRESCRIPTIONS. END SUMMARY.

2. HEAVY INDUSTRY - TOTAL OUTPUT OF PRODUCERS GOODS GREW AT A RATE OF 7.9 PERCENT, ABOUT HALF WAY BETWEEN THE ORIGINAL 9TH FYP GOAL OF 8.6 PERCENT AND THE REDUCED FIGURE FROM DECEMBER 1974 OF 7 PERCENT. AS EXPECTED THIS SECTOR CONTINUED TO RECEIVE HIGHER PRIORITY THAN CONSUMER GOODS, AS HAD BEEN THE CASE THE PREVIOUS YEAR. THE CHEMICAL AND PETROCHEMICAL INDUSTRY, ALONG WITH MACHINE-BUILDING AND METALWORKING, REGISTERED AN 11 PERCENT GROWTH RATE IN 1975, REFLECTING THE ATTENTION GIVEN TO THESE AREAS IN SOVIET ECONOMIC PLANNING. OUTPUT OF FOLLOWING SPECIFIC PRODUCTS WAS INSUFFICIENT TO FULFILL ANNUAL PLAN: ROLLED STEEL PRODUCTS, CAUSTIC SODA, SULPHURIC ACID, OIL PRODUCTION EQUIPMENT, MACHINERY FOR LIGHT AND FOOD INDUSTRIES, RAILWAY FREIGHT CARS, REFRIGERATORS AND SEVERAL TYPES OF FOOD AND CLOTHING LIMITED OFFICIAL USE

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ARTICLES. GENERAL CRITICISM LEVELED AT INDUSTRIAL SECTOR FOR INSUFFICIENT ACHIEVEMENT OF RATED PRODUCTION CAPACITIES OF PLANTS AND EXCESSIVE DELAYS IN INTRODUCING SCIENTIFIC-TECHNICAL ACHIEVEMENTS INTO PRODUCTION.

3. CAPITAL CONSTRUCTION - INVESTMENTS IN CONSTRUCTION REACHED 114 BILLION RUBLES FOR THE YEAR, OR UP 9 PERCENT OVER 1974. ALTHOUGH HEAVY EMPHASIS DURING YEAR PAID TO

IMPROVED ORGANIZATION AND MANAGEMENT OF CONSTRUCTION

ENTERPRISES LABOR PRODUCTIVITY REACHED ONLY 5.5 PERCENT, BELOW OVERALL INDUSTRY LEVEL. ROUGHLY 50 PERCENT OF NEW CAPACITY IN COAL, STEEL, METALWORKING MACHINES, CEMENT AND ROLLED STEEL PRODUCTS WAS ATTAINED THROUGH EXPANSION AND REEQUIPPING OF EXISTING PLANTS, ALTHOUGH SOME 300 NEW PLANTS WERE BROUGHT INTO PRODUCTION. NEW HOUSING CONSTRUCTION WAS BELOW EVEN THE PREVIOUS YEAR'S FIGURE, IN SPITE OF HEAVY PUBLIC ATTENTION TO IMPORTANCE OF PROVIDING SATISFACTORY APARTMENTS TO WORKERS.

4. NATIONAL INCOME - GROWTH IN NATIONAL INCOME, AT 4 PERCENT, WAS BELOW 1974 INCREASE AND ONLY ABOUT TWO-THIRDS OF REDUCED TARGET OF 6.5 PERCENT FROM DECEMBER 1974 PLENUM. IN CURRENT PRICES THE LEVEL REACHED 362 BILLION RUBLES, WHICH WOULD MEAN AROUND 14 BILLION INCREASE DURING YEAR. SOME FOUR-FIFTHS OF NATIONAL INCOME REPORTEDLY WAS DEVOTED TO CONSUMPTION NEEDS, INCLUDING HOUSING AND SOCIAL-CULTURAL CONSTRUCTION.

5. LABOR PRODUCTIVITY - RATE OF GROWTH OF INDUSTRIAL LABOR PRODUCTIVITY AT 5.9 PERCENT WAS SLIGHTLY ABOVE REDUCED ANNUAL PLAN TARGET OF 5.7 PERCENT. ALTHOUGH CSA REPORT DOES NOT PROVIDE FIGURES FOR OVERALL PRODUCTIVITY GROWTH FOR ECONOMY, NOR SEPARATE RATE FOR AGRICULTURE, IT CAN BE ASSUMED THAT LATTER WAS LOW (IF NOT NEGATIVE AS IN 1974) WITH RESULTANT DRAG ON OVERALL RATE. GROWTH RATES IN CONSTRUCTION AND TRANSPORTATION WERE 5.5 AND 3.6 PERCENT, RESPECTIVELY, BOTH OF WHICH FELL BELOW THE PREVIOUS YEAR'S INCREASE. LACK OF SUCCESS IN PAST FIVE YEARS IN SUBSTANTIALLY INCREASING LABOR PRODUCTIVITY HAS APPARENTLY NOT REDUCED SOVIET LIMITED OFFICIAL USE

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PLANNERS CONVICTION THAT FUTURE ECONOMIC GROWTH WILL HAVE TO COME FROM THIS SOURCE, SINCE SUPPLY OF NEW LABOR WILL BE MINIMAL IN YEARS AHEAD. STRESS ON QUALITY AND EFFECTIVENESS IN DISCUSSIONS OF 10TH FYP, WITH MOVEMENT OF SCIENCE AND TECHNOLOGY TO FRONT PLACE IN ECONOMIC FACTORS, INDICATES CONTINUED ATTEMPTS TO RAISE PRODUCTIVITY.

6. CONSUMER WELFARE - IN SPITE OF ACHIEVEMENT OF NATION-WIDE MINIMUM WAGE OF 70 RUBLES PER MONTH, AND ELIMINATION OF TAXES FOR WORKERS RECEIVING THIS MINIMUM, REAL WELFARE OF SOVIET CONSUMERS AS A WHOLE DID NOT RISE SUBSTANTIALLY OVER PREVIOUS YEAR. REPORTED INCREMENT IN REAL PER CAPITA INCOME OF 4.2 PERCENT INCLUDES VARIOUS BENEFITS FROM STATE FUNDS (SOCIAL-CULTURAL CONSTRUCTION, ECT.)

ACTUAL OUTPUT OF CONSUMER GOODS WAS VERY LOW 6.5 PERCENT  
COMPARED WITH 9TH FYP TARGET OF 9.3 PERCENT. AVERAGE  
MONTHLY WAGES OF WORKERS AND EMPLOYEES ROSE FIVE RUBLES

TO LEVEL OF 146 RUBLES PER MONTH. RATE OF NEW HOUSING  
CONSTRUCTION CONTINUED TO FALL FROM PREVIOUS YEARS.  
VOLUME OF DOMESTIC TRADE GREW 7 PERCENT AS PLANNED.  
SALES OF PASSENGER AUTOMOBILES WENT UP 6 PERCENT COMPARED  
WITH PRODUCTION GROWTH OF 7 PERCENT. FULL EFFECT OF  
UNSATISFACTORY AGRICULTURAL RESULTS IN 1975 NOT EXPECTED  
TO IMPACT ON SOVIET CONSUMERS UNTIL 1976 AND LATER.

7. FOREIGN TRADE - REPORTED INCREASE IN TOTAL FOREIGN  
TRADE OF 26 PERCENT IS ABOUT DOUBLE THE 13 PERCENT GOAL  
ESTABLISHED BY 1974 PLENUM. IN ADDITION TO LARGE IMPORTS  
OF WESTERN GRAIN TO MAKE UP FOR SHORTFALL IN SOVIET  
HARVEST, CONTINUED PRICE INFLATION OF BOTH IMPORTS AND  
EXPORTS HELP EXPLAIN IMPRESSIVE GROWTH. HOWEVER, SUB-  
STANTIAL INCREASE IN SOVIET IMPORTS OF WESTERN INDUSTRIAL  
PRODUCTS, MUCH OF WHICH FINANCED THROUGH GENEROUS GOVERN-  
MENT CREDITS, SHOULD NOT GO UNNOTICED. CSA REPORT DOES  
NOT GIVE REGIONAL BREAKDOWN OF 50 BILLION RUBLE TOTAL  
TRADE FIGURE BUT DOES NOTE THAT EXCHANGES WITH CEMA  
COUNTRIES QTE EXCEEDED THE VOLUMES FORESEEN FOR 1975 IN  
LONG-TERM AGREEMENTS. UNQTE.

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8. COMMENT - IN MANY RESPECTS 9TH FYP MIGHT BE VIEWED AS  
ENDING ON WHIMPER INSTEAD OF WITH A BANG. ON TOP OF VERY  
UNSATISFACTORY GRAIN HARVEST, RESULTS IN INDUSTRY AND  
OTHER SECTORS WERE BARELY ABOVE REDUCED QUANTITATIVE  
GOALS ANNOUNCED FOR 1976 WHICH WOULD INDICATE THAT SOVIET  
PLANNERS TAKING MORE DOWN-TO-EARTH APPROACH AND GIVING  
INDUSTRIAL MANAGERS OPPORTUNITY TO MAKE CHANGEOVER FROM  
QTE MORE TO BETTER. UNQTE. THE TENTATIVE TARGETS SET IN  
THE THESES FOR THE 10TH FYP ALSO ARE RELATIVELY MODEST.  
ALTHOUGH AGRICULTURE WILL CONTINUE TO PLAY AN IMPORTANT  
ROLE IN SOVIET ECONOMIC RESULTS, THE EFFECTIVE IMPLEMENTA-  
TION OF THE QTE QUALITY-EFFECTIVENESS UNQTE FORMULA FOR  
THE 10TH FYP, INCLUDING SATISFACTORY APPLICATION OF  
DOMESTIC AND IMPORTED TECHNOLOGY, WILL HAVE A MAJOR  
INFLUENCE ON SUCCESS OR FAILURE OF THE PLAN.

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